

EXECUTIVE SUMMARY

Introduction

Dhaka is the fastest growing mega-city in the world, with an estimated 300,000 to 400,000 new migrants, mostly poor, arriving to the city annually.¹ Its population is currently around 12 million and is projected to grow to 20 million in 2020, making it the world's third largest city. Most migrants come from rural areas in search of opportunities which can provide new livelihood options for millions, translating to improvements in living standards. Their contribution to Dhaka's economic growth is significant, as they provide much needed labor to manufacturing, services, and other sectors. This migration, however, also adds tremendous strain on an already crowded city with limited inhabitable land due to the city's topography, limited infrastructure, and a low level of public services.

The draw of Dhaka is no surprise – it is a dynamic city and has attracted substantial industrial investments, particularly in the Readymade Garment (RMG) industry, which has created demand for workers and services. The city is, however, increasingly characterized by large slums, poor housing, excessively high land prices, traffic congestion, water shortages, poor sanitation and drainage, irregular electric supply, unplanned construction, increasing air pollution and poor urban governance which results in growing problems of law and order.

The country does not have a comprehensive policy on urbanization and urban poverty. There are between 16 and 40 different bodies involved in one way or another in urban matters in Dhaka with little coordination and planning. As a result, there are major gaps in services and infrastructure ranging from weak electrical supply to inadequate land and housing options, and major traffic congestion. The poor are particularly affected as they do not have the resources to find alternatives for meeting their basic needs. While a new committee for Urban Development was set up and has achieved some progress in the coordination process, it focuses on solving day-to-day problems and not on medium to long term strategy.

This study reflects a comprehensive look at poverty in Dhaka with an aim to provide the basis for an urban poverty reduction strategy for the Government of Bangladesh, local authorities, donors, and NGOs. While the needs in Dhaka are enormous, this study focuses on analyzing those critical for the poor – understanding the characteristics and dynamics of poverty, issues of employment, land and housing, basic services, and crime and violence. This analysis will provide a platform for developing recommendations for policy reform as Dhaka endeavors to meet the growing challenges and urgent needs of the urban poor. Each chapter concludes with a set of recommended priorities for poverty reduction.

¹ Bangladesh Bureau of Statistics.

Poverty in Dhaka

As one walks through Dhaka, the pervasive poverty is evident, as is the inequality between rich and poor. Poverty affects roughly one in three residents. The average person in the wealthiest quintile consumes more than 5 times the consumption expenditure of the average person in the poorest quintile.

The poor mainly live in slums scattered throughout the city, with close to 80 percent of slums located on privately owned land creating considerable institutional challenges in terms of basic service provision.² Housing structures tend to be of poor quality, and access to basic infrastructure services is low. For the poorest quintile, only 9 percent of households have a sewage line, and 27 percent obtain water through piped supply (compared with 83 percent of the wealthiest). Spatial mapping shows that only 43 of the 1925 identified slums have a public toilet within 100 meters. An estimated 7,600 households live in slums that are within 50 meters of the river and are in frequent risk of being flooded.

As would be expected, poor households tend to have more people, particularly children, than non-poor households. The poor are substantially less educated and have lower school attendance rates than the non-poor. Social services can be quite far for some slum dwellers exacerbating problems of access. Only seven percent of slums have a public health clinic and 26 percent have a government school.

Perceptions of poverty show a hierarchy among the poor linked to income, as well as an individual's occupation and power, position and networks. Residents in focus groups refer to the many hardships of living in slums and enormous stresses of everyday life.

Employment and the Poor

Dhaka's poor work in a range of sectors providing much needed labor to the city. Much of this employment is in the informal sector. Poor male workers are mainly employed as production workers (including rickshaw pullers and other transport workers) and trade workers (street vendors, retail trade, etc.). Half of the poor female workers are employed as domestic workers or garment workers. Wages are generally low, though domestic work appears to be the lowest pay.

The unemployment rate for the poor is almost double than that of the non-poor. Underemployment is an even broader problem, affecting 20 percent of households. Child labor is quite prevalent, with approximately 20 percent of all children between ages 5-14 working. Most of the child workers are between 10 and 14 years old, with similar proportions for boys and girls. In the poorest households with child workers, earnings from the children are significant, representing about one third of total household income.

² LGED Survey of Slums, 2005.

Improving income-earning opportunities for the poor will be dependent on ensuring a vibrant labor market in Dhaka. Several factors are likely to influence the labor market over the coming years. On the supply side is the issue of continuing migration which will both put additional pressure on the labor market, and also bring new capital, new skills and new entrepreneurs. A second issue is the role of education which can raise the productivity of the poor and their income-earning potential. While education levels of the poor in Dhaka are far better than in the rest of the country, the average level of education of the poor is low compared with other developing countries. Improving education levels in Dhaka and Bangladesh as a whole will be critical to keeping the country competitive in global markets.

On the demand side are the consequences of the removal of the Multi-Fiber Agreement (MFA) quotas on the readymade garment (RMG) sector at the end of 2004. While there are a number of complex factors, the impact of which are not fully known, there is still a risk that some jobs might be lost in the future. An estimated 500,000 workers are employed in the RMG sector in Dhaka. Most of these workers are women, who provide critical support to their families. Substantial numbers also work in related services industries. While the first half of 2005 has not seen a decline in RMG exports, the future is unclear. If there is a decline in demand as is projected, Dhaka's labor force will be directly affected. A second issue on the demand side is the development of self employment through expanding opportunities for micro-credit in urban areas. Bangladesh is known for its successes in micro-credit through the Grameen Bank and others, though these programs have generally not been operating in urban areas. While a few have begun operating in Dhaka, there is substantial scope for expanding micro-credit opportunities, particularly with the participation of NGOs.

Shelter for the Poor

Secure shelter is a major challenge for Dhaka's urban poor. As migrants continue to arrive, they often end up in illegal settlements on precarious lands with major environmental concerns. The slums are located throughout the city with few services offered at high prices through middlemen, also called *musclemen* or *mastaans*, using illegal methods. Slum evictions take place periodically, with no resettlement plans. The constant threat of eviction adds to the stresses of every day life for the urban poor.

Land prices in the Dhaka City Corporation (DCC) area are very high making it impossible for the poor to afford to purchase land in the open market. Part of the reason for high land prices stems from the fact that the City suffers from a shortage of land due to its topography. This shortage has driven prices up to levels that are considered high even by developed country standards. The real scarcity of developable land is exacerbated by an artificial scarcity, stemming primarily from the current use of substantial amounts of public land in downtown Dhaka. In addition, close to 10 percent of the city's housing stock is publicly owned and held in low-rise building on very expensive land.

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The Government has developed a National Housing Policy which reflects an enabling approach to land and housing markets. This Policy, however, has not been implemented effectively. Among the inconsistencies in implementation are the estimated 70 percent of urban development in the City that is informal, large scale evictions of slum dwellers with no relocation plans, and building on environmentally sensitive public lands such as flood or retention ponds. Part of the lack of enforcement of the policy is related to the fact that the institutional capacity for city management is weak. The roles of DCC, the Planning Authority RAJUK, and line ministries are not clear and coordination is very limited.

Services for the Poor

Access to basic services such as water, sanitation, electricity, health and education by the poor is limited. Because most slums are not recognized as legal lands, the Government, NGOs and Donors generally do not provide services in these areas. As a result, a parallel structure has emerged with *mastaans* providing services for a high fee. They are self appointed leaders who set up committees, maintain links and have patronage from local and national political leaders, government official and local law-enforcing agencies.

As with housing, the administrative structure related to the public delivery of services is complex. Public services are delivered by a mix of central and local agencies, with limited resources, weak administrative capacity and little coordination. DCC, which is responsible for a wide range of services, cannot perform their functions adequately due to severe resource constraints and limited authority. DCC is dependent on central government for financial grants and for staff appointments, and has limited role in city planning or physical development.

Interviews with donors, government agencies and NGOs revealed three major constraints to providing service delivery to urban slum residents. These include: i) a lack of government policy giving slum residents rights and access; ii) the eviction of slum residents; and iii) the role of *mastaans* in the absence of formal government structures.

The lack of government policy on urban development and urban poverty results in a conflicting power structure between the DCC and the national level, and a lack of authority to work in slum areas. The urgent need for a clear policy and mandated agency to address the challenges of urban development, urban poverty and service delivery is evidenced by current conditions.

The constant threat of evictions prevents agencies from investing in infrastructure for health, education, water and sanitation services. All agencies mentioned this as a barrier for effective service delivery. *Mastaans* are firmly rooted in the slums and are often the only service provider. Residents report paying high amounts for the services, much higher than the rates offered by the utilities, and regularly face extortion for fear of physical harm or eviction if payoffs are not made.

A series of other constraints were also mentioned by implementing service providers in NGOs, Government and Donor organizations. Among these are resources, lack of appropriate infrastructure -- particularly schools and health clinics, limits in technical capacity in the various agencies, difficulties in working with the various agencies, and concerns about discerning between effective and ineffective NGOs.

Crime and Violence in Dhaka's Slums

Crime and violence has become a major problem in Dhaka, particularly affecting the poor. It has huge costs to the City in terms of the judicial system, health care, foregone earnings, costs on private security, loss of competitiveness, loss of jobs and productivity. The non-monetary costs on the population are also considerable in terms of levels of fear and mistrust, anxiety, and lack of social cohesion.

A survey of crime and violence in four slums commissioned for this study provides new data on the prevalence and characteristics of crime and violence. An astounding 93 percent of respondents in the survey report that they had been affected by crime and violence over the last 12 months with 33 different types of crime identified by the respondents. Among the most commonly reported crime and violence are toll collection, *mastaan*-induced violence, drug and alcohol business, land grabbing, gambling, violence against women and children, illegal arms business, arson in slums, murder and kidnapping, and domestic violence. These results vary somewhat across slums.

Most of the crimes are reported to occur within the slum, and about 35 percent within the household compound. Other high risk areas are the roadside, markets, and the route to and from work. Violence against women, particularly domestic violence, is very high and likely underreported in the survey. This is consistent with other studies on violence against women in Bangladesh.

There appears to be a deep lack of trust by the urban poor in the justice system and police. The residents in the slums do not perceive much security and do not believe the justice system adequately serves their needs. In fact, some perceive that the system discriminates against slum dwellers. A majority of victims (60 percent) state that the incidence of crime and violence is not reported to anyone. When reports are made, it is to community leaders and family members. Only 3 percent say that they reported the incident to the police and even fewer report to Ward Commissioners. The survey indicated that the police took action against a reported perpetrator in only 1 percent of all cases.

A Strategy Forward...

The problems of poverty in Dhaka are enormous and thus any poverty reduction strategy for the city will require major policy shifts on many fronts. Overall improvements in the city's performance will contribute to economic growth which will have positive impacts for the poor. The city desperately needs strong management, better

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coordination across agencies, effective and transparent local government, improvements in infrastructure, better access to basic services, enabling reforms in land and housing markets, credit markets for the poor, and a reduction of the disabling problem of crime and violence.

Prioritizing the long list of pressing needs and identifying viable mechanisms for implementation presents a daunting challenge. This will require coordinated actions from many stakeholders, but more importantly, strong political commitment to addressing the growing problems of the urban poor in Dhaka within the context of the overall problems of poverty in the country. The priorities for poverty reduction in Dhaka outlined below emerged from the analysis in this report and through a consultative process held in Dhaka in February 2006 including representatives from Government, NGOs, researchers, the private sector and donors.

Actions are needed to ensure, in general, the right environment to promote growth and poverty reduction in Dhaka, and in particular to improve access to employment, services, and a reduction in crime and violence for the poor. These actions, outlined below and detailed in the following chapters, should be framed by an urban development strategy for Dhaka, and aligned with the country's Poverty Reduction Strategy Paper (PRSP). Simultaneously, overall reforms of the judicial/policing systems, reductions in crime and violence, and transparent ways of attaining services are necessary for Dhaka to continue to provide an enabling urban environment to its citizens.

Policy Priorities

- ***Developing and implementing a comprehensive strategy for urban poverty reduction.*** Such a framework should address the needs of the poor within the context of overall urban development and the PRSP. Essential elements include identifying institutional roles and responsibilities for national and local governments as well as the NGO and private sector, creating an appropriate political and legal environment, and ensuring adequate resources for implementation.

This strategy should be prepared through a consultative process led by the Office of the Prime Minister, in coordination with key ministries and agencies such as the Ministry of Local Government and Rural Development (MLGRD), as well as with the Planning Department (MOF) team overseeing PRSP implementation. As part of implementation, MLGRD should establish an urban unit within LGD to review and develop policies and ensure implementation of urban issues, including urban poverty reduction.

One of the key objectives of the Urban Poverty Strategy should be to improve income earning opportunities for the urban poor. Reducing poverty in Dhaka will be linked to generating enough remunerative employment opportunities for new entrants and for the unemployed. Beyond the overall policy of improving the infrastructure in the city to permit manufacturing growth and attract investment,

other priorities include: i) identifying new areas for employment generation; ii) improving the skills of workers; iii) increasing access to credit for the poor to enable an expansion of self employment activities; and iv) facilitating increases in female labor force participation through access to child care.

- ***Implementing institutional mapping, reform and capacity building of key agencies / institutions affecting urban growth and poverty reduction.*** Initially, GOB should focus on RAJUK and DCC, as part of a comprehensive effort by MLGRD to strengthen local government and agencies influencing Dhaka's development. In general, with clear roles and responsibilities, agencies should be given authority, but made accountable for implementation. Extensive training in urban management and in technical areas will be necessary for agencies at the local level to do their jobs effectively.
- ***Implementing the National Housing Policy to ensure shelter for the poor.*** The National Housing Policy provides an enabling framework for addressing land and housing markets in Dhaka, and enforcing basic property rights. The implementation of this policy, as with an urban poverty reduction strategy, will require an adequate institutional framework with clear leadership, as well as roles and responsibilities. The Government should establish an inter-agency committee including key actors such as LGED, National Housing Authority, Ministry of Land/Ministry of Housing and Public Works, and RAJUK. In the medium term, the committee should be led by a clearly mandated agency with authority to implement the necessary reforms.

To improve the shelter conditions for the urban poor, it will be critical to keep up with Dhaka's growth and address the massive land and housing problems of the urban poor, which will require reforms on many levels. In addition to the importance of implementing an Urban Development Strategy for Dhaka and the National Housing Policy (including enforcement of basic property rights), other priorities include: i) developing mechanisms for better accountability for land use and better coordination of services in the city; ii) strengthening public institutions to implement land and housing policies and foster coordination between agencies; iii) initiating pilot shelter projects in poor areas in partnership with NGOs; and iv) addressing specific legal and regulatory issues that apply to zoning, land subdivision and building.

- ***Improving service delivery and access to infrastructure for the urban poor.*** To address the obstacles to delivering services to Dhaka's slums, recommendations from the review and consultations point to two overarching priorities: first, developing and implementing a policy of urban poverty reduction which provides the mandate for working in slum areas, and second, strengthening the role of local municipalities to deliver services. Other priorities include: i) improving accountability and oversight; ii) enforcing law and order to curtail illegal activities linked to extortion by the mastaans; iii) improving coordination between service providers; iv) exploring and implementing alternative delivery

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mechanisms for some services (e.g. distance learning, mobile health units, etc.); and v) building capacity for service providers through training.

Infrastructure improvements will equally be needed to address the major deficiencies in providing access to basic services to the poor living in slum areas. Such improvements will require an enabling policy and institutional framework as mentioned above, as well as substantial capital investment. To ensure a comprehensive and coordinated approach, DCC should work in close coordination with key agencies and ministries such as Dhaka Water and Sewerage Authority (DWASA), Dhaka Electricity Supply Authority (DESA), Titas, Ministry of Communications, Ministry of Education, Ministry of Health and Family Welfare, and Ministry of Social Welfare.

- ***Addressing crime and violence in slum areas.*** The general importance of enforcing law and order in Dhaka is highlighted above. Importantly, however, the problems of crime and violence, as well as the illegal activities of the *mastaans*, which are pervasive particularly in slum areas. In addition to systemic judicial/policing reform, specific recommendations for crime and violence prevention stemming from international experience point to the need to: i) adopt a community based approach; ii) recover or create public space in slums and integrated slum upgrading; iii) initiate programs for the prevention of violence against women; iv) improve trust between the police and community; v) focus attention to the needs of children and youth; and vi) focus attention to issues of drug and alcohol abuse. Most of these efforts require concerted effort by the Ministry of Women and Children Affairs, but community involvement is essential.

These are critical priority areas not just for the urban poor but indeed for urban development overall. Development partners stand ready to support GOB in implementation of this complex agenda to improve the conditions of the urban poor. First is support at the policy level which would facilitate the formulation and implementation of major reforms. Second is continued support at the program and project level to include investments in infrastructure, service delivery systems, and human capital targeted to the poor of Dhaka. Because of the many complexities in working in Dhaka, a series of new pilots could be initiated in slum areas which would be carefully monitored and evaluated so that the most appropriate approaches could be scaled up over time.